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Tap 'blue ocean strategy' to avert competition: don

By CHEN HUIFEN

COMPETITION is getting tougher. Your market share is dwindling. Your rivals are slashing prices to undercut one another. What do you do?

Apply the "blue ocean strategy", says Insead Professor of Strategy and International Management Kim W Chan.

"In blue oceans, demand is created rather than fought over," he explains. "There is ample opportunity for growth that is both profitable and rapid. Competition is irrelevant because the rules of the game are waiting to be set." Cirque du Soleil is one success story that has emerged out of blue ocean strategy.

At a time when traditional circuses were losing ground to new forms of entertainment, it thought outside the confines of the industry. Instead of stealing customers from other circus companies like Ringling Brothers and Barnum & Bailey, it added theatre, dance, sophisticated humour and glamour to circus shows, borrowing ideas from Broadway musicals.

The result: a variety of artistic offerings with a smattering of magic. And that attracted a whole new set of circus-goers, including patrons of the theatre, opera and ballet.

Although the term "blue ocean" is new, Prof Kim says the concept has been



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around for centuries. It's called "blue ocean" because the strategy depicts the vast opportunities of the deep blue sea. Practitioners who apply it don't let existing market structures limit their thinking.

"To them, extra demand is out there, largely untapped," says Prof Kim. "This requires a shift of attention ... from a focus on competing to a focus on value innovation — that is, creating innovative value to unlock demand. This is achieved via the simultaneous pursuit of differentiation and low cost."

Unfortunately, companies tend to apply what he calls "red ocean strategies" to compete in the market place. That is, they benchmark against one another and aim to outperform by grabbing a greater share of existing demand. Competition then becomes cut-throat and turns bloody, hence the term "red" ocean.

But in today's business climate, as trade barriers fall and access to information grows, such a strategy is no longer enough.

"As products and services increasingly become commodities in overcrowded industries and companies' profitable growth shrinks, they are driven to compete principally on cost," says Prof Kim. "One result of this has been the growing exodus of jobs to low cost countries like India and China as companies increasingly engage in outsourcing.

"While governments

may seek to solve the issue of outsourcing through legislation, history teaches us that this is not a long-term solution. The long-term solution to creating jobs is in companies creating compelling products and services that take them out of the vicious cycle of commodity competition."

In Singapore, a Value Innovation Action Tank (VIAT) has been set up to help implement the blue ocean theory. Incorporated in March last year with the help of the Civil Service College, it was founded by 15 partners, mostly government ministries and statutory boards. With Renee Mauborgne, another Insead professor, Prof Kim sits on the board of VIAT.

He declined to give further details about VIAT's activities. But a brochure says its main objective is "to provide value innovation frameworks, processes, tools and educational programmes to enable Singapore and its enterprises to transit to the knowledge-driven economy in an action-driven manner".

Prof Kim is co-author of the book "Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant", and a speaker at the Internationalisation Enterprise Forum 05, which runs from Feb 2-3. His book will be distributed to delegates at the forum, which is organised by IE Singapore. For more information, visit www.iesingapore.com/ief05.